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EUROALLIAGES' RESPONSE TO THE COMMISSION COMMUNICATION ON THE FUTURE OF CCS IN EUROPE

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The European Commission published on 27th March 2013 a Consultative Communication on the future of Carbon Capture and storage in Europe. EuroAlliages is glad to express the opinion of its members on the CCS issue in the broader framework of the future European industrial, energy and climate policy.

Taking into account the fact that CCS may have a viable business case in the future, EuroAlliages' vision is that CCS could be **one of the technologies leading to a low carbon economy** provided that it is cost-effective and cost-reflective, that it is proven technology and only after it attracts new investments to Europe.

A thorough evaluation of the technological and commercial feasibility and of the environmental impacts of the CCS technology must be conducted in a transparent manner, before concluding the political framework relating to CCS. EuroAlliages requests a **detailed impact assessment on CCS available to the public for open debate**, which ensures that CCS will be a part of the European industrial, energy and climate landscape in the future. We believe that a new focus on the **potential for CCS in the manufacturing industry** could bring the technology forward.

EuroAlliages recommends that **financing of CCS technologies be independent of the carbon price**, thus avoiding further increase of power prices in Europe and endangering the competitiveness of the industrial energy users.

1) Should Member States that currently have a high share of coal and gas in their energy mix as well as in industrial processes, and that have not yet done so, be required to:

a. develop a clear roadmap on how to restructure their electricity generation sector towards non-carbon emitting fuels (nuclear or renewables) by 2050, or

b. develop a national strategy to prepare for the deployment of CCS technology.

EuroAlliages recommends that all Member States develop a clear roadmap on how to restructure their electricity generation sector towards low carbon fuels and attract investment to their industrial sectors, particularly in R&D of breakthrough technologies.

In any case, even in a low carbon economy, the policy path leading to EU's 2050 climate and energy goals must fully take into account the competitiveness of European industry and endeavour the achievement of a global level playing field. Any political choice to be made must be calibrated so as to safeguard the economic viability and sustainability of industry in Europe, which is already a low carbon champion. This is the true mean to ensure a future leading position for the EU as the low carbon economy at global level.

EuroAlliages believes that **CCS could be one of the solutions** enabling Europe to become a low carbon economy by 2050 after this technology has passed the demonstration stage, is proven, is technically and commercially feasible and is cost-efficient.

It is our understanding that CCS is not applicable to all carbon sources and therefore its implementation is technically not feasible in all industrial sectors. This solution would need to be further developed and communicated in order to properly evaluate the contribution of CCS to a low carbon economy in Europe in all the sectors. Until such feasibility and reliability has been demonstrated, **EuroAlliages does not recommend imposing CCS as the main low carbon technology in Europe.**

We remind that while CCS is a possible technology to achieve a low carbon economy in Europe, it must not be made mandatory.

We believe that a new focus on the potential for CCS in the manufacturing industry can bring the technology forward. For process emissions, there are no other alternatives than capture. There should be programs for financing of pilot projects within the different branches of the manufacturing industry. Financing must be given after a public tender and should, given the strategic importance and risk of such projects, cover up to 100% of the costs.

In summary, EuroAlliages recommends that the European Commission conducts a **thorough study on the technical and commercial feasibility of CCS**, including all the technological steps, as well as a **detailed impact assessment with regard to the costs** of the deployment of such a technology in Europe at such an early development stage and with regard to its effects on the competitiveness of European manufacturing industry.

2) How should the ETS be re-structured, so that it could also provide meaningful incentives for CCS deployment? Should this be complemented by using instruments based on auctioning revenues, similar to NER300?

EuroAlliages is also contributing in the public consultation on the Green Paper on climate and energy framework for 2030, published on 27th March 2013, with among others recommendations to improve the EU ETS.

Financing through the carbon price without safeguards for industrial competitiveness will endanger European industry without giving a solution of viable CCS technologies and without ensuring global low carbon emissions. In any case, partial financing through carbon price must be restricted only

until the development phase. **EuroAlliages** will encourage such a solution during the pre-feasibility stage, and **opposes financing of CCS in the demonstration and maturity phases through carbon price**.

This can be complemented using other instruments after measures for maintaining industrial competitiveness and increasing industrial activity in Europe have been put in place, as aimed by the European Commission's Communication of 10th October 2012 entitled "A Stronger European Industry for Growth and Economic Recovery". If not, higher carbon prices will impose higher costs for the industry and potentially increase the risk of carbon leakage rather than increasing the capacity of the European manufacturing industry to invest in new technologies.

Financing in the pilot phase must be strengthened; otherwise none of the projects currently under way, or any other, will be initiated. The future State Aid rules should take into account the need for more funding of CCS pilot projects.

To conclude, the financing of CCS deployment must be designed so as to be **independent from the carbon price**, thus avoiding further increase of power prices in Europe.

3) Should the Commission propose other means of support or consider other policy measures to pave the road towards early deployment, by:

a. support through auctioning recycling or other funding approaches;

b. an Emission Performance Standard;

c. a CCS certificate system;

d. another type of policy measure?

Early deployment can only be considered after the feasibility of CCS technologies for different carbon sources has been demonstrated and after it is ensured that it will not affect global competitiveness of European industry. This step of **detailed impact assessment** is crucial for defining a sound policy.

In case the impact assessment is conclusive, **pilot projects should be encouraged** at EU level, provided that the financing mechanisms are carbon leakage proof for the European industry.

Other types of policy measures such as Emission Performance Standard or CCS certificate system may directly or indirectly lead to locally imposed cost burden on industries competing in global markets. New costs will not initiate investments in industrial branches that competes on a global level, only worsen our relative cost position, thus rather the opposite. We do not support any new schemes or certificates that can further threaten our cost position or increase political risk.

4) Should energy utilities henceforth be required to install CCS-ready equipment for all new investments (coal and potentially also gas) in order to facilitate the necessary CCS retrofit?

EuroAlliages observes that currently the investments in the manufacturing industry in Europe have stopped, due to the current economic climate and regulatory uncertainty. Any future legislation which would impact the manufacturing industry in Europe must be designed so as to **attract new investments**. Anticipated decisions with regard to the yet unproven CCS technologies would lead to a loss of investment efficiency and be counter-productive for their deployment in the future.

With regard to industrial process emissions, today there is no other possibility for reduction apart from CCS, which makes a difference with power production. In the manufacturing industry, CCS pilot projects should be covered with 100% public finance in order to make them economically possible.

In any case, should the European Commission consider the implementation of CCS in Europe, it would first need to assess its technical and commercial feasibility.

5) *Should fossil fuel providers contribute to CCS deployment through specific measures that ensure additional financing?*

CCS deployment may take place after its technical and commercial feasibility has been demonstrated.

Considering the energy dependence of Europe towards third countries, it is difficult to consider that fossil fuel providers could be submitted to specific CCS-related rules when entering the EU market.

6) *What are the main obstacles to ensuring sufficient demonstration of CCS in the EU?*

The high energy prices in Europe do not concur to creating a viable business case for the deployment of CCS technology. Further R&D efforts are needed in order to develop a commercially viable breakthrough technology, which would reduce the costs of CCS. Therefore the focus today needs to be put on these R&D efforts.

The non-transparent risks are keeping the public away from acceptance.

7) *How can public acceptance for CCS be increased?*

EuroAlliages believes that **transparency** is the first step towards public acceptance.

The following issues need to be considered:

- From the viewpoint of the **public opinion**, the most important issue is the health and safety risk. This aspect varies among the Member States (e.g. the acceptance will be better in countries close to the North Sea because the risk is off-shored) and must be evaluated on a case-by-case basis in order to propose management and corrective measures. A technology-based answer may help, as well as an evaluation of the consequences of importing energy in the roadmaps developed by Member States.
- From the viewpoint of **policy consistency and cost-effectiveness**, as well as for investments, it is necessary to evaluate and compare the commercial viability and the infrastructure needs of CCS vs. other energies, and especially RES.
- If the political choice is made to promote CCS, it is necessary to ensure that the **global competitiveness of European industry** is not affected and that the risk of carbon leakage is better alleviated instead of being further reinforced.

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